NATIONAL CREDIT UNION ADMINISTRATION

OFFICE OF INSPECTOR GENERAL

TRAINING AUDIT

REPORT NUMBER 981

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EXECUTIVE SUMMARY

| AUDIT PURPOSE AND OBJECTIVES | The National Credit Union Administration's (NCUA) primary mission is to promote a system of financially sound, well-managed federally chartered credit unions. NCUA's |

examiner force examines and supervises these credit unions to ensure that this mission is fulfilled. Since the examination and supervision of federally chartered credit unions is of mission-critical importance to NCUA, the Office of Inspector General (OIG) conducted a training audit primarily focusing on NCUA examiner training. The audit addressed the following objectives:

- Assessment of training needed and received by examiners
- Assessment of planned examiner training and subsequent monitoring
- Assessment of the training budget
- Assessment of agency policy for college course reimbursements

| AUDIT SCOPE AND METHODOLOGY | The audit scope included training conducted primarily in 1996 and 1997, in the Central Office and in Region II (Capital) and Region IV (Chicago), with audit survey work in both of those regions and Region I (Albany). The types of |

training reviewed included NCUA in-house, outside sources, self-study, details, regional conferences, and supervisory examiner group training.

In order to meet the above objectives, the OIG reviewed the NCUA training manual and pertinent instructions, laws and regulations; training budget documentation; training advisory board minutes; and regional and central office training reports and monitoring documentation. The OIG also sent questionnaires to all Region II and IV examiners and supervisory examiners. Responses were received from 68 percent of the 192 mailed questionnaires. The OIG interviewed Region II, IV and central office management as well as a judgmental sample of supervisory examiners. In addition, the OIG reviewed a sample of individual performance plans, performance appraisals, and official personnel files.

| AUDIT RESULTS- Training Needed and Received by Examiners | NCUA has established an in-house CORE examination training program for new examiners. CORE training courses including on-the-job training take approximately nine months to complete and are required for all new examiners. Most |

examiners, supervisors, and NCUA management officials were pleased with the CORE training program. Ninety-three percent of new examiners responding to the OIG survey felt that CORE training was satisfactory or better; experienced examiners gave CORE training an 89 percent approval rating; and supervisory examiners gave it a 95 percent approval rating. OIG audit team members attended several CORE training sessions during 1995-1997, and in general, found the CORE examination training program to be a high quality basic examination program.

New issues, regulations, and credit union products surface continually and must be assessed by examiners. The OIG found that new and emerging issues are recognized and training is planned to meet the various challenges that each issue requires. However, the planning does not always include training in as timely or sufficient manner as the circumstances warrant. For instance, examiners were required to have the knowledge and begin performing examination procedures for credit union Y2K compliance in the summer of 1997, but examiner training did not begin until the fall of 1997. In another instance, the investment Regulation 703 had an implementation date of January 1, 1998, however, specific guidance was not issued until December 31, 1997.

The OIG also found that training did not always address performance weaknesses. The OIG reviewed a sample of appraisals and related individual performance plans (IDPs) for 34 experienced examiners. The sample showed that 22 examiners had weaknesses noted on their performance appraisals with no corrective training noted on their subsequent IDPs. While training is not a cure for all performance deficiencies, no alternatives were mentioned on the appraisals or IDPs to address the stated weaknesses.

AUDIT RESULTS-
Planned Training and
Subsequent Monitoring

NCUA lacks a consistent method for monitoring examiner training. Currently, NCUA has issued no consistent guidance regarding who should be doing the monitoring or what training should be monitored. When NCUA moved to a new EDP platform on January 1, 1997, the database of training history files for every examiner did not migrate. Consequently, each region had to either design and implement their own training database, or wait for NCUA to develop a new one. Of the three regions visited by the OIG, one developed an EXCEL spreadsheet, one developed an ACCESS database, and one did not develop any monitoring tool. These various monitoring systems did not monitor SE group training, regional conferences or details, and in some instances did not agree with the training documentation in each employee's official personnel file.

AUDIT RESULTS-
Training Budget

The NCUA strategic goals for training measure the average number of training hours per examiner and average student course evaluation ratings, but the costs to achieve these goals are not evaluated. Although there is some cost benefit analysis performed on some aspects of training programs, such as competition for various event sites and outside instructors, there is no formal cost benefit analysis for the overall training program or for new training initiatives.

In addition, all applicable training costs are not accounted for, thus understating the overall cost of the training program. The costs of internal instructors (salary, travel, and per diem) were not budgeted or accounted for as training costs. Further, the costs of each course were not accounted for individually, thereby offering no means to compare a particular course's cost versus other alternative methods of training. Accurate cost accounting of NCUA's training program will provide a useful benchmark for future evaluation of the training program.

The process of requesting approval for college courses is not functioning properly and effectively. Approval for college courses is based upon the individual supervisor's judgment and the NCUA training officer relies primarily upon that judgment for final approval. This can lead to college course approval inconsistencies between various offices and supervisors. The OIG reviewed all 10 instances in which central office employees were reimbursed for college courses during 1996 and 1997. Of the 10 employee files reviewed, the auditors noted 6 which had at least one instance of questionable reimbursement. The lack of a clear nexus between the college course and job responsibilities was the most common problem noted.

The OIG realizes there is nothing wrong with NCUA paying for individual college courses that are directly related to an employee's job responsibilities. However, when it is clear that an individual is pursuing an academic degree, and the correlation between courses requested and job responsibilities is not firmly established, the appearance of favoritism and preferential treatment is created.

RECOMMENDATIONS

The report includes 8 recommendations to help improve the effectiveness and efficiency of NCUA's training program. Generally, the OIG recommends that:

1. When new issues emerge, the training should be planned in tandem with the development of examination procedures and offered in a timely fashion .
2. NCUA should consider a greater training emphasis on evolving credit union technology issues.
3. NCUA should consider expanding the process of developing regional specialists to areas of emerging technologies.
4. NCUA should emphasize to its supervisors that for each significant performance appraisal weakness noted, a subsequent correcting remedy should be given.
5. A definitive training monitoring system be established which should roll up into an agency master database.
6. NCUA should consider the cost of the training program in its strategic plan. The cost of the training program should be benchmarked against comparable training programs either in total and/or on a per employee average cost or tuition cost per course.
7. All direct training costs should be charged to the training program including the costs of internal instructors. In addition, accounting for training costs by course should be considered.
8. All requests for college courses should attach documented justification showing a clear nexus between the course and the employee's job duties. In addition, all central office requests should require final approval by the Director of the Office of Training and Development.